

DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY

DEPARTMENTAL PERSONNEL MANUAL SYSTEM

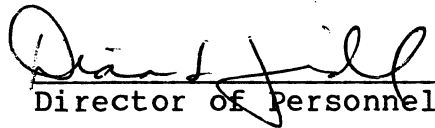
DPM LETTER: 540-3

SUBJECT: Combined Performance Management and  
Recognition System and Performance  
Management Plan System

Published in advance  
of incorporation in  
DPM Chapter \_\_\_\_\_  
Retain until superseded

DATE: MAR 18 1987

Attached is the Department of Transportation's Combined  
Performance Management and Recognition System and Performance  
Management System Plan directive. Any questions should be  
directed to the Personnel Policy Division on 366-2764

  
Director of Personnel

Attachment

Filing Instructions: File After FPM Chapter 540 Letters

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OPI: M-16/Stokes

**CHAPTER 2**  
**PERFORMANCE APPRAISAL**  
**UNDER THE**  
**PERFORMANCE MANAGEMENT AND RECOGNITION SYSTEM (PMRS)**  
**AND**  
**PERFORMANCE MANAGEMENT SYSTEM (PMS)**

**SECTION 1 - BACKGROUND.**

This chapter sets forth the procedures for the operation of the performance appraisal systems for PMRS and PMS (excluding SES) employees. This chapter explains the responsibilities of participants under the system; the requirements for developing performance plans including the development of job elements and performance standards; how ratings are assigned; the process for determining ratings; and other operational procedures.

**SECTION 2 - DEVELOPING THE PERFORMANCE PLAN.**

At the beginning of each appraisal period, a written performance plan shall be developed for each employee. The plan shall be based on the requirements of the employee's position and include the establishment of job elements and performance standards. Joint participation of the supervisor and the employee in the development of the performance plan is required for PMRS employees and encouraged for PMS employees. Organizational objectives should be reflected in performance plans of PMRS employees by incorporating objectives, goals, program plans, work plans or other similar documents that account for program results. When appropriate, these objectives should also be included in performance plans for PMS employees. The Department of Transportation Performance Appraisal Form is to be used to record the plan (Appendix B).

1. Before the performance plan becomes final, the plan will be reviewed and approved by the second level supervisor for consistency with plans established for similar positions, to assure plan uniformity within the organization, and for conformance with overall organizational goals. The supervisory officials have final authority over the content of the plan. Operating Administrations may describe unique situations where exceptions to second level supervisory review and approval of performance plans may be appropriate.
2. The first and second level supervisors and the employee will sign and date the plan to document its approval and to indicate that the employee received a copy.
3. A performance plan will also be developed and provided to the employee no later than 30 days after the employee enters into a new position, such as reassignments, promotions, and demotions.

4. During the course of the appraisal period there shall be a discussion at approximately the mid-point between the supervisor and employee concerning progress being made toward meeting performance elements and standards, the currency of the elements and standards, the level of the employee's performance by comparison with performance elements and standards and whether any changes or adjustments in the performance plan are necessary. The supervisor and employee shall sign and date the plan to show that the mid-point review took place. Comments may be entered in the Remarks Section of the DOT Performance Appraisal Form.
5. Changes to the performance plan are not limited just to the time of the mid-point review but can occur at any time during the appraisal period. Any revision to the plan becomes effective upon approval by the second level supervisor.

### **SECTION 3 - JOB ELEMENTS AND PERFORMANCE STANDARDS.**

In developing the job elements and performance standards for the performance plan, the following must be taken into account.

1. Job elements and performance standards will be based on the requirements of the employee's position and shall reflect those aspects of performance over which the employee has control.
2. There shall be at least one critical job element (CJE) described for each position. Operating Administrations may require the description of more than one CJE.
3. To the extent that the position involves such responsibilities, critical job elements shall reflect the following:
  - (a) Affirmative Action and Equal Employment Opportunity accomplishments;
  - (b) organizational objectives; and
  - (c) cost efficiency.
4. All supervisory positions shall have a distinct and separate critical job element covering supervisory responsibilities.
5. Noncritical job elements may be used when there are components of an employee's job which do not meet the definition of a critical job element, but are of sufficient importance to warrant appraisal and the assignment of an element rating.
6. There shall be for each job element a performance standard written at the Fully Successful level of performance. Written standards may also be prepared above and/or below the Fully Successful level. The absence of a written standard at a given rating level shall not preclude the assignment of a rating at that level.

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## CHAPTER 1

### INTRODUCTION

#### PERFORMANCE MANAGEMENT AND RECOGNITION SYSTEM (PMRS)

#### AND

#### PERFORMANCE MANAGEMENT SYSTEM (PMS)

### SECTION 1 - BACKGROUND

1. **Purpose.** This directive establishes the Department of Transportation (DOT) Performance Management and Recognition System (PMRS) applicable to supervisors and management officials in grades 13, 14, or 15 and the DOT Performance Management System (PMS) applicable to general schedule employees grades 15 and below and to prevailing rate employees. Both the PMRS and PMS provide for the periodic appraisal of job performance and seek to recognize and reward able performance. PMS provisions governing the Senior Executive Service are contained in Departmental Personnel Manual (DPM) Letter \_\_\_\_.
2. **Cancellation.** Departmental Personnel Manual Letter 540-2, Department of Transportation Performance Management and Recognition System, dated November 14, 1985, and Departmental Personnel Manual Chapter 430, Performance Appraisal, dated April 16, 1982, are cancelled.
3. **Policy.**
  - a. **Congressional Intent.** In establishing the PMRS and PMS, Congress provided for a system which would:
    - (1) Within available funds, use performance appraisals as the basis for determining adjustments in basic pay (i.e., general pay increases and merit increases) and one-time cash payments (i.e., performance awards);
    - (2) Within available funds, provide for training to improve accuracy, objectivity, and fairness in the evaluation of performance;
    - (3) Regulate the costs of performance awards by establishing funding level requirements;
    - (4) Provide the means to reduce or withhold certain pay increases for less than Fully Successful performance; and
    - (5) Provide cash awards for suggestions, inventions, cost savings, superior accomplishments, and special acts or services.

b. **DOT Policy.** The PMRS and PMS establish a uniform plan to ensure that performance appraisal is used as a tool for executing basic management and supervisory responsibilities by:

- (1) Communicating and clarifying agency goals and objectives;
- (2) Identifying individual accountability for the accomplishment of organizational goals and objectives;
- (3) Evaluating and improving individual and organizational accomplishments and;
- (4) Using the results of performance appraisal as a basis for adjusting basic pay and determining performance awards, training, rewarding, reassigning, promoting, reducing in grade, retaining, and removing employees.

c. **Performance Management.** Performance management is essential to the successful operation of the PMRS and PMS. Performance management is a systematic process by which managers at all levels of an organization integrate basic management functions with performance, pay, and award systems for the purpose of improving individual and organizational effectiveness in the accomplishment of agency mission and goals. The process of performance management includes five phases:

- (1) Identifying agency goals and translating those goals into clearly defined program activities and individual performance objectives;
- (2) Implementing planned program tasks, motivating employees to accomplish their objectives, and monitoring how effectively the work is accomplished;
- (3) Appraising individual performance and assessing organizational outcomes;
- (4) Linking individual performance results to personnel decisions; and
- (5) Linking organizational outcomes to management planning and decision making.

4. **References.** This directive reflects the requirements in:

- a. Public Law 98-615;
- b. Title 5, Chapters 35, 43, 45, 53, 54, 55, and 71 United States Code (U.S.C.);

- c. Title 5, Parts 293, 351, 430, 451, 530, 531, 536, 540, and 550 Code of Federal Regulations (CFR);
- d. DPM Chapter 451, Incentive Awards;
- e. DOT 1100.60, Department of Transportation Organization Manual; and
- f. FPM Chapters 293, 351, 430, 451, 530, 531, 536, 540, and 550 and related Office of Personnel Management guidance.

## SECTION 2 - PMRS COVERAGE

1. **Employees Covered.** The PMRS shall apply to all supervisors and management officials, as defined below, who occupy a position in grades 13, 14 or 15 of the general schedule. Positions covered by the PMRS shall be identified by the pay plan identifier "GM".
  - a. **A supervisor** is an individual employed by an agency having authority in the interest of the agency to hire, direct, assign, promote, reward, transfer, furlough, lay off, recall, suspend, discipline, or remove employees, to adjust their grievances, or to effectively recommend such action, if the exercise of the authority is not merely routine or clerical in nature but requires the consistent exercise of independent judgment, except that, with respect to any unit which includes firefighters or nurses, the term "supervisor" includes only those individuals who devote a preponderance of their employment time to exercising such authority (5 U.S.C. 7103(a)(10)).
  - b. **A management official** is an individual employed by an agency in a position the duties and responsibilities of which require or authorize the individual to formulate, determine, or influence the policies of the agency (5 U.S.C. 7103(a)(11)). This includes those individuals who: (1) create, establish or prescribe general principles, plans or courses of action for an agency; (2) decide upon or settle upon general principles, plans or courses of action for an agency; or (3) bring about or obtain a result as to the adoption of general principles, plans or courses of action for an agency.
  - c. **Exclusions.** The following employees identified in 5 U.S.C. 4301(2) and 5 CFR 430.403 are excluded from PMRS performance appraisal requirements:
    - (1) Employees outside of the United States who are paid in accordance with the prevailing wage rates applicable to local nationals; and
    - (2) Excepted Service positions for which employment is not reasonably expected to exceed 120 calendar days in a consecutive 12-month period.



2. Rules of Coverage. The following rules of coverage are based on the regulations, coverage definitions, and past case law rulings of the Federal Labor Relations Authority (FLRA). The FLRA provides policy regarding labor-management relations in the Federal Government (5 U.S.C. Chapter 71) and, in that capacity, may determine exclusion from bargaining unit status by application of the supervisory and management official definitions also used to identify PMRS coverage. Therefore, in applying these coverage definitions, Operating Administrations must ensure no position in a bargaining unit (i.e., excluded from these definitions) is covered under the PMRS (i.e., included in the definitions), since such determinations must be consistent with FLRA unit determinations.

a. Limited Supervisory Responsibilities. Supervisory responsibilities may be present in a position to varying degrees. Positions may involve the performance of supervisory functions to such a limited extent that they should not be regarded as part of "management." These limited supervisory assignments should be distinguished from formal assignment to a supervisory position such as in a temporary promotion to a supervisory position. The following limited supervisory duties should also be excluded from the definition of supervisor:

- (1) Supervising subordinates on a temporary (excluding temporary promotions, intermittent appointments) or ad hoc basis;
- (2) Acting "in the absence of a supervisory employee;"
- (3) Technical, professional, or administrative positions directing subordinates only for the duration of a program or project;
- (4) Work leaders; and
- (5) Coordinators or reviewers who do not consistently exercise one or more of the supervisory functions.

b. Appointment Type, Career Status, Occupation. Employees shall not be excluded from coverage under the PMRS by reason of appointment type (e.g., competitive or excepted appointment), career status (e.g., temporary, career conditional, career), or occupation, unless done specifically by OPM.

c. Details. The detail of an employee does not affect his or her coverage under or exclusion from the PMRS.

- d. Temporary/Term Promotions. Employees on temporary/term promotion to a PMRS position are in the PMRS for the duration of that promotion. For example, an employee on temporary/term promotion to a PMRS position on the effective date of a merit increase will receive a merit increase. Employees not in a PMRS position on the effective date of a merit increase will not receive a merit increase.
  - e. Consistency of Coverage Determinations. Positions with the same title, series, grade, and major duties and responsibilities should receive the same coverage determination.
  - f. Training. The absence of an employee to attend a formal training program does not affect his or her coverage under, or exclusion from, the PMRS.
3. Coverage Identification. Operating Administrations shall establish procedures in their implementing instructions for identifying specific positions and employees covered by the PMRS and the level of responsibility or the authority for final coverage determinations. Procedures shall include a system for ensuring consistency of coverage determinations among like positions and for reconsideration of coverage determinations upon the request of the affected employee. Procedures shall also include a statement of the administrative grievance procedure for coverage or noncoverage determinations, if different from the normal grievance procedure. The method for notifying employees of coverage must also be indicated.
4. Vacancy Announcements. Vacancy announcements for positions covered by the PMRS shall include a statement stipulating such coverage.

### SECTION 3 - PMS COVERAGE

1. Employees Covered. The PMS shall apply to all General Schedule employees grades 15 and below not included in the PMRS, all prevailing rate employees, and other employees not excluded as specified in 5 U.S.C. 4301(2).
2. Exclusions. The following employees are excluded from coverage under PMS requirements:
- a. Employees covered by the PMRS portion of this plan;
  - b. Employees covered by the Executive Performance Appraisal System. (See DPM Letter 430\_\_)
  - c. Excepted service positions for which employment is not reasonably expected to exceed 120 calendar days in a consecutive 12-month period;
  - d. Excepted service positions filled by noncareer executive assignments under 5 CFR 305; and
  - e. Administrative Law Judges appointed under 5 U.S.C. 3105.

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1. Before the performance plan becomes final, the plan will be reviewed and approved by the second level supervisor for consistency with plans established for similar positions, to assure plan uniformity within the organization, and for conformance with overall organizational goals. The supervisory officials have final authority over the content of the plan. Operating Administrations may describe unique situations where exceptions to second level supervisory review and approval of performance plans may be appropriate.
2. The first and second level supervisors and the employee will sign and date the plan to document its approval and to indicate that the employee received a copy.
3. A performance plan will also be developed and provided to the employee no later than 30 days after the employee enters into a new position, such as reassignments, promotions, and demotions.

7. The relative importance of each job element must be established by assigning weights. The total percentages assigned must equal 100. No CJE may receive a weight less than 10 percent. A noncritical job element must receive a weight ranging from 1 to 5 percent to minimize noncritical elements having more weight in the summary rating procedures than critical elements.
8. In order to facilitate equitable treatment of all employees, similar job elements and performance standards shall be used where both of the following factors exist for a particular category of positions:
  - a. The work performed is substantially similar in terms of duties, responsibilities, and skills required; and
  - b. There are no substantial variations in the working environment which would lead to differences in performance expectations.

#### **SECTION 4 - APPRAISAL ASSIGNMENT.**

The following explains who is assigned an appraisal rating, when those ratings are given, and how ratings are determined under certain special circumstances.

1. Performance appraisals normally shall be accomplished on an annual basis. The minimum appraisal period shall be 90 calendar days.
  - a. The appraisal period for PMRS employees shall run from August 1 to July 31.
  - b. Each Operating Administration shall determine the appraisal period for its PMS employees subject to approval by the Department.
2. Annual performance appraisals are required for all employees who have been in their current positions for at least the minimum appraisal period as of the end of their appraisal cycle.
3. For an employee who cannot be rated under his/her current elements and standards, the appraisal period shall be extended for the amount of time necessary to meet the minimum appraisal period at which time a rating of record shall be prepared. For PMRS employees this rating will be used for nonpay purposes only. For pay purposes, a PMRS employee who cannot be rated shall be treated as set forth in Chapter 3, Sections 3 and 4, and a PMS employee who cannot be rated shall be treated as set forth in Chapter 4, Sections 3 and 4 of this directive.
4. Employees reassigned during the appraisal period shall have a summary rating of their performance prepared for each assignment in which they served for at least the minimum appraisal period. The summary ratings shall be considered in determining the rating of record at the conclusion of the appraisal period.

5. If an employee moves to a new agency or organization at any time during the appraisal period, the employee's current rating of record and all other ratings of record that are 3 years or less, including the performance plan on which the most recent rating is based must be transferred to the gaining agency or organization, as required by 5 CFR, Part 293. If the employee meets the minimum appraisal period, a summary rating must be prepared by the losing organization and must be taken into consideration by the gaining organization when deriving the next rating of record. See Chapter 3, Section 3, of this directive on the treatment of transferred ratings for performance pay purposes.
6. The performance appraisal and resulting rating of a disabled veteran shall not be lowered because the veteran has been absent from work to seek medical treatment as provided in Executive Order 5396.

**SECTION 5 - PERFORMANCE INFORMATION WHILE ON DETAIL OR TEMPORARY ASSIGNMENT.**

Information about the performance of employees detailed or temporarily assigned to different positions shall be obtained and given appropriate consideration in making personnel decisions.

1. The performance of employees within the Department while on detail, temporary/term promotion or special assignment for a period of 120 calendar days or longer during the appraisal period must be appraised separately upon completion or at the end of the employee's normal appraisal period if the assignment continues beyond the end of the appraisal period.
  - a. Performance plans detailing the elements and standards upon which the employee's performance will be appraised must be prepared by the gaining organization no later than 30 days after the start of the detail or temporary assignment.
  - b. Ratings on job elements must be prepared by the gaining organization and forwarded to the official immediate supervisor who must consider the evaluation in completing the rating of record and/or in making personnel decisions. The supervisor of the gaining organization shall be responsible for the completion of the employee's rating of record in situations involving temporary/term promotions which cover the entire appraisal period or which occur at the end of the employee's normal appraisal period.
2. When employees are detailed outside the Department, the losing organization must make a reasonable effort to obtain appraisal information from the outside organization.
  - a. If an employee has served the minimum appraisal period in his/her official employing organization, the employee must be rated, taking into consideration information from the borrowing organization.

- b. If an employee has not served in the employing organization for the established rating period, but has served for the minimum period outside the employing organization, the employing organization must make a reasonable effort to prepare an appraisal using information from the borrowing organization.

## **SECTION 6 - THE RATING PROCESS.**

At the end of the appraisal period the immediate supervisor assesses the employee's performance on each job element on which the employee has had a chance to perform and, derives an overall summary rating.

1. Performance appraisals are the responsibility of the immediate supervisor and shall be based on a comparison of actual performance with the performance standards established for the appraisal period, and recorded and approved on the DOT appraisal form.
2. There shall not be any preestablished distributions of expected levels of performance (such as a requirement to rate on a bell curve) that interfere with the appraisal of actual performance. However, higher level management officials must ensure that only those employees whose performance exceeds normal expectations are rated at levels above "Fully Successful." This may be achieved by procedures such as reviews of standards and ratings for difficulty and strictness of application.
3. The first step in determining the summary rating is to rate the individual job elements. Each job element will be assigned one of the five levels of ratings as defined below. In addition, examples of actual achievements and the manner of performance shall be described to support the rating at all levels except the Fully Successful level, where description of actual accomplishments is optional.

a. Outstanding (Level 5)

This is a level of high-quality performance. All aspects of the employee's performance have clearly and specifically exceeded the established standard of Fully Successful. This rating results in a score of 3 points.

b. Exceptional (Level 4)

This is a level of unusually good performance. The employee's performance has exceeded expectations in major areas and overall has clearly exceeded the established standard for Fully Successful. This rating results in a score of 2 points.

- c. Fully Successful (Level 3) This is the expected level of good, sound performance established by management. The employee has responded positively in accomplishing assignments. This rating results in a score of 1 point.
- d. Partially Successful (Level 2) The employee's performance only partially meets the standard of Fully Successful, and has shown deficiencies and needs improvement to meet Fully Successful. This rating results in a score of 0.
- e. Unacceptable (Level 1) The employee's performance fails to meet the standard for Fully Successful. Work products do not even meet minimum requirements and contain major deficiencies. This rating results in a score of -1 point.

4. After each job element is rated, the rating score of each job element is multiplied by the weight factor of that element. This becomes the adjusted score for that job element. The adjusted scores are added and a summary rating is then assigned as shown in the following table:

<u>Summary Rating</u>	<u>Weighted Appraisal Score</u>	<u>Limiting Factor</u>
Outstanding	2.7 to 3.0	No CJE is rated less than Exceptional.
Exceptional	1.7 to 2.69	No CJE is rated less than Fully Successful.
Fully Successful	1.0 to 1.69	No CJE is rated less than Fully Successful.
Partially Successful	0 to .99	No CJE is rated less than Partially Successful. This rating requires corrective counseling, remedial training or close supervision.

Unacceptable (a minus score)

Performance at the unacceptable level on any CJE. This rating may result in removal from the position or any of the corrective actions described above.

Note: The Limiting Factor is used to establish a "rating floor" to assure the integrity of the summary rating. For example, a score of 2.7 would normally result in a summary rating of Outstanding. However, if one CJE was rated Fully Successful, the Limiting Factor would necessitate an adjustment by one rating level, in this case to Exceptional.

Example of Summary Rating of Exceptional:

<u>Job Element</u>	<u>Adjective Rating</u>	<u>Rating Score X Weight</u>		= <u>Weighted Score</u>
I*	Exceptional	2	40%	.80
II*	Outstanding	3	30%	.90
III*	Exceptional	2	20%	.40
IV	Fully Successful	1	5%	.05
V	Fully Successful	1	5%	.05
			100%	2.20

\*CJE

5. The immediate supervisor forwards the rating of record to the second level supervisor for review and approval. Any disagreements with the appraisal by the second level supervisor are discussed with the immediate supervisor. The second-level supervisor can change the rating and must document the performance based reason for the change.
6. Following appropriate reviews and approvals, the rating official will discuss the rating of record with the employee as soon as practical after the end of the appraisal period. The supervisor and employee will sign and date the appraisal form to indicate that the discussion took place. The employee will have an opportunity to respond orally and/or in writing on the appraisal document to the rating official's assessment of performance. Any written comments shall become part of the official record. The employee's signature does not indicate agreement with the rating, and the rating does not require the employee's signature to be official. The employee will be provided with a copy of the final appraisal document.



7. The outcome of the performance appraisal rating process shall be reviewed and approved by the official responsible for managing the performance award budget. This official shall ensure equitable application of performance standards and treatment of employees by the rating process. (See Chapter 3, Section 1, for PMRS employees and Chapter 4, Section 1, for PMS employees regarding the Performance Incentive Pay Official.)
8. Operating Administrations shall prescribe due dates for the receipt of performance appraisals by their Personnel Office. The due dates shall not be later than 45 days after the end of the appraisal period. For employees whose appraisal period must be extended in accordance with Section 4, paragraph 3, performance appraisals must be received no later than 30 days after the end of the extended rating period.

#### **SECTION 7 - RESOLVING DISAGREEMENTS OF THE RATING.**

Wherever possible, disagreement concerning the performance rating should be resolved in an informal manner between the employee and the supervisor. However, upon request by the PMRS employee, his or her rating shall be reconsidered. The PMRS employee must be given the right to reconsideration in accordance with the Operating Administration's grievance procedures (5 CFR, Part 771). The PMS employee must use his or her Operating Administration's grievance procedures if disagreements cannot be resolved informally. For employees who are members of a collective bargaining unit with a negotiated grievance procedure applicable to the appeal of performance ratings, appeals should be under the negotiated appeals procedure.

#### **SECTION 8 - LINKAGE WITH OTHER PERSONNEL DECISIONS OR ACTIONS.**

The results of performance appraisals play an important part in the following decisions:

1. **Base Pay and Performance Award.** The rating of record must be used as a basis for adjusting base pay and making performance award decisions. The manner in which adjustments to base pay and performance awards are determined is explained in Chapters 3, 4 and 5 of this directive.
2. **Removal or Demotion Because of Unacceptable Performance.** OPM regulations prescribe procedures for taking personnel actions as a result of unacceptable performance of non-SES employees. Because performance evaluation is a continuing process, such actions can be taken either following an appraisal or at any time during its appraisal period when the employee's performance is determined to be unacceptable. Additional procedures are contained in DOT Order 3770.3, Personnel Actions Based on Unacceptable Performance.

- a. PMRS Employees Rated Unacceptable. Under 5 CFR 430.405 a PMRS employee may be reassigned, reduced in grade or removed because of an Unacceptable rating, but such action can be taken only after the employee has been afforded a reasonable opportunity to improve his/her performance to the Fully Successful level or higher on the critical element(s) rated Unacceptable. Once an Unacceptable rating has been communicated, the employee must be informed of the performance standards that must be reached in order to be retained. If at the end of the opportunity period (a minimum of 30 days), the employee's performance is still Unacceptable, reassignment, removal or demotion action must be initiated subject to the provisions of 5 U.S.C. 4303. If the employee's performance only improves to the Partially Successful level, the employee must be so informed and given another opportunity period to demonstrate performance at the Fully Successful or higher level.
  - b. PMS Employees Rated Unacceptable. Under 5 CFR 430.204 a PMS employee may be reassigned, reduced in grade, or removed, but such action can be taken only after the employee has been afforded a reasonable opportunity to demonstrate acceptable performance (Partially Successful or better). At the time the employee is informed of the critical elements for which performance is Unacceptable, he/she must also be informed of the performance standards that must be reached in order to be retained. If at the end of the opportunity period (a minimum of 30 days) the employee's performance continues to be Unacceptable, the agency must initiate reassignment, reduction in grade, or removal, subject to the provisions of 5 U.S.C. 4303.
3. Training. The results of performance appraisals must be used as one means for determining the training needs of the employee. When performance is less than Fully Successful, the employee should be provided with closer supervision, corrective counseling, and if appropriate, training to improve those skills, knowledges and abilities necessary to meet established performance standards at the Fully Successful level or higher. The DOT Performance Appraisal form should clearly identify those areas where training or other assistance should be provided. The changing organizational needs, available resources, and other factors may influence the type and amount of training needed.
  4. Reduction-In-Force (RIF). The results of performance appraisal will be used in reduction-in-force in accordance with 5 CFR Part 351.
    - a. Additional service credit for RIF purposes shall be given based on an employee's last three annual performance ratings of record received during the 3-year period prior to the date of issuance of specific RIF notices.

- b. Credit shall be given only for those ratings which are prescheduled and are given annually at the end of the employee's rating period. The only time an employee will be given an assumed rating of fully successful for RIF purposes is after demotion or reassignment due to unacceptable performance and the employee has not received an annual rating of record in the current position as of the date that the specific RIF notice is issued. If an employee has not received three annual ratings during a 3-year period, credit will be given for an assumed rating(s) of Fully Successful.
  - c. Other than the exceptions specified above, special ratings given at times other than at the end of the employee's rating period, such as for a merit promotion action, a within-grade increase decision under 5 CFR 531.404 a(1), or eligibility for career ladder promotion, shall not be considered ratings of record for RIF purposes.
  - d. No rating of record will be assigned for the sole purpose of affecting an employee's RIF retention standing.
  - e. The effective date of an employee's rating of record shall be the ending date of the employee's performance appraisal period. However, service credit for RIF shall be given only if the employee's rating of record was signed by the required rating and approving officials and received by the personnel office prior to the issuance of specific RIF notices.
  - f. To provide adequate time to properly determine employee retention standing prior to RIF, the end of a prescheduled rating period may be postponed when the rating period would end within 14 days of the issuance of specific RIF notices.
5. **Merit Promotion.** The performance appraisal must be used as one of the bases for considering employees under competitive promotion procedures. Performance appraisals will only be used to the extent that the employee's current job and the one for which he/she is being considered require similar knowledges, skills and abilities. Employees should see their organization's merit promotion plan directive for more detailed information.
6. **Probationary Periods.** For new employees, the performance appraisal shall be used as one of the bases for retaining an employee in Federal service. Performance plans should be prepared so that the assessment of those performance qualities that make a satisfactory employee can be made. Likewise, the performance plans for new supervisors or managers should clearly reflect those performance characteristics which need to be observed to determine whether the individual should be retained in that position.

**CHAPTER 3**  
**COMPENSATION**  
**UNDER**  
**THE PERFORMANCE MANAGEMENT AND RECOGNITION SYSTEM**

**SECTION 1 - GENERAL.**

1. **Performance Incentive Pay.** The PMRS provides four types of incentive pay.
  - a. Two types of incentive pay are granted as increases to basic pay.
    - (1) **General Pay Increase.** The adjustment in the pay rates of PMRS employees authorized by the President under 5 U.S.C. 5305 (or 5 U.S.C. 5303 for special salary rates) and provided in accordance with 5 U.S.C. 5403.
    - (2) **Merit Increase.** An increase in a PMRS employee's rate of basic pay authorized by 5 U.S.C. 5404 and based on the employee's performance appraisal rating of record and position in the rate range for his or her grade level. The merit increase is an amount equal to a full within grade increase, a fraction thereof or zero within-grade increase.
  - b. Two types of incentive pay are granted as one-time cash payments.
    - (1) **Performance Award.** An award authorized by 5 U.S.C. 5406 to reward a PMRS employee for performance reflected in his or her rating of record.
    - (2) **Superior Accomplishment Award.** An award authorized by 5 U.S.C. 5407 to reward PMRS employees for superior or especially meritorious suggestions, inventions, or accomplishments.
2. **Performance Incentive Pay Official.** In order to properly manage the PMRS, each Operating Administration and each subordinate organization allocated a performance award budget shall identify a performance incentive pay official. The senior manager or executive for each organization assigned a performance award budget shall serve as the performance incentive pay official responsible for the following functions within his/her organization:

- a. Ensuring standards are reviewed in order to ensure equitable treatment of each employee.
- b. Ensuring individual performance appraisal ratings within an organization reflect the organization's accomplishments as a whole.
- c. Keeping rating officials informed of the budgetary implications of their actions.
- d. Reviewing and approving performance pay decisions for the PMRS employee population within the funding unit.
- e. Reviewing and approving the outcome of the performance appraisal rating process.

## **SECTION 2 - GENERAL PAY INCREASE.**

1. **Amount of General Pay Increase.** PMRS employees shall receive general pay increases as follows based on a rating of record for the current appraisal period for which performance pay decisions are being made.
  - a. Employees rated Fully Successful or higher will receive the full general pay increase.
  - b. Employees rated Partially Successful will receive one-half of the general pay increase.
  - c. Employees rated Unacceptable will not receive a general pay increase.
  - d. Employees may be paid at rates less than the minimum rate for their grade, if the lower rate resulted from receiving less than the full general pay increase based on performance rated Unacceptable or Partially Successful.
  - e. Employees lacking a rating of record for the latest performance appraisal period will receive the full general pay increase.
2. **Computation of General Pay and Special Salary Rate Increases.**
  - a. **General Pay Increase.** General pay increases for employees with Fully Successful or higher ratings shall be determined as follows:
    - (1) Subtract the minimum rate of the employee's rate range in effect on the day immediately preceding the effective date of the increase from the employee's rate of basic pay on the same date.
    - (2) Subtract the minimum rate of the rate range in effect immediately preceding the effective date of the increase from the maximum of the rate range on that date.

- (3) Divide the result of paragraph 2a(1) by the result of paragraph 2a(2).
- (4) Subtract the minimum rate of the new rate range for the grade from the maximum rate of that range.
- (5) Multiply the quotient from paragraph 2a(3) by the difference from paragraph 2a(4).
- (6) Add the product from paragraph 2a(5) to the minimum of the new rate range and round to the next higher whole dollar amount.

**Note:** The salary of an employee whose rate of basic pay is less than the minimum rate of the rate range of the employee's position, and whose performance is rated at Fully Successful or above, will be adjusted by multiplying the employee's rate of basic pay on the day immediately preceding the pay adjustment period by the full amount of the general increase applicable to the rate range of the grade of the employee's position for such pay adjustment period.

b. **Special Salary Rate Increase.** Employees on special salary rates are not eligible for the general pay increase under 5 U.S.C. 5305. Rather, the rate ranges for their grades are increased when required by special salary rate surveys. When a special rate range becomes initially applicable to, or increased for a position occupied by a PMRS employee with a Fully Successful or higher rating, the employee shall receive the full special salary rate increase and the employee's rate of basic pay shall be determined as follows:

- (1) Subtract the minimum rate of the employee's special salary rate range (or of the General Schedule rate range, if the employee is not receiving a special salary rate) in effect on the day immediately preceding the effective date of the increase from the employee's rate of basic pay on the same date.
- (2) Subtract the minimum rate of the special rate range (or of the General Schedule rate range, if the employee is not receiving a special salary rate) in effect immediately preceding the effective date of the increase from the maximum of the special salary rate range (or of the General Schedule rate range, if the employee is not receiving a special salary rate) on that date.
- (3) Divide the result of paragraph 2 b (1) by the result of paragraph 2 (b) (2).
- (4) Subtract the minimum rate of the new special salary rate range for the grade from the maximum rate of that special salary rate range.

- (5) Multiply the quotient from paragraph 2b(3) by the difference from paragraph 2b(4).
- (6) Add the product from paragraph 2b(5) to the minimum of the new special salary rate range and round to the next higher whole dollar amount.

**Note:** The salary of an employee whose rate of basic pay is less than the minimum rate of the rate range of the employee's position, and whose performance is rated at Fully Successful or above, will be adjusted by multiplying the employee's rate of basic pay on the day immediately preceding the pay adjustment period by the full amount of the general increase applicable to the rate range of the grade of the employee's position for such pay adjustment period.

- c. Employees with a Fully Successful or higher rating and a rate of pay at the minimum or maximum of the rate range in effect on the day immediately preceding the effective date for the general pay increase or special salary rate adjustment will have their rate of pay adjusted to the minimum or maximum of the new rate range, respectively.
  - d. The increase for employees with a Partially Successful rating, including employees with a rate of pay less than the minimum rate for their grade, shall be computed by multiplying the employee's rate of pay on the day immediately preceding the effective date of the adjustment by one-half of the full adjustment and rounding to the next higher whole dollar amount.
  - e. An employee receiving retained pay (5 U.S.C. 5363 (a)) will receive one-half of the general pay increase regardless of his or her rating of record.
3. **Effective Date.** The general pay increase for which a PMRS employee is eligible shall be effective on the same date as the General Schedule general pay increase. The special salary rate increase for which a PMRS employee is eligible shall be effective on the date specified by the Office of Personnel Management for that specific rate.
  4. **Documentation.** General pay increases shall be documented with a Notice of Personnel Action, SF-50.

### **SECTION 3 - MERIT INCREASES.**

1. **Basis for Merit Increases.** Each merit increase must be based on a current rating of record. Individuals without a current rating of record shall be treated in accordance with paragraph 3 of this section.

2. **Merit Increases for Employees With a Current Rating of Record.**

An employee who occupies a PMRS position on the first day of the first pay period beginning on or after October 1 shall receive a merit increase based on the actual PMRS rating of record received for the current performance appraisal period as follows:

- a. Employees rated Fully Successful or higher in the lower third of the rate range (below the reference amount for step 4 of their grade) shall receive the equivalent of a full step increase for their grade.
- b. Employees rated Fully Successful in the upper two-thirds of the rate range (at or above the reference amount for step 4 of their grade) shall receive the equivalent of one-third of the step increase for their grade.
- c. Employees rated Exceptional in the upper two-thirds of the rate range (at or above the reference amount for step 4 of their grade) shall receive one-half of a full step increase for their grade.
- d. Employees rated Outstanding in the upper two-thirds of the rate range (at or above the reference amount for step 4 of their grade) shall receive the equivalent of a full step increase for their grade.
- e. Employees rated Partially Successful or Unacceptable shall receive a zero merit increase.

3. **Merit Increases for Employees Without a Current Rating of Record.**

The law requires that the merit increase be based on the employee's rating of record for the current performance appraisal period. When a PMRS employee cannot be rated for the current performance appraisal period, the following procedures shall apply:

- a. For an employee who cannot be rated for the current appraisal period under his/her elements and standards because (1) the employee has been under PMRS elements and standards for less than the 90-day minimum appraisal period; or (2) the employee cannot be rated because the supervisor has left and a higher level supervisor cannot reasonably appraise the performance of the employee; or (3) the employee is on long term training; or (4) the employee is detailed to an Intergovernmental Personnel Act Assignment under sections 3371 through 3376 of title 5, United States Code, the employee's merit increase shall be granted using one of the following rules in the order specified:

- (1) The employee's appraisal period is extended to provide a minimum appraisal period (such an extension shall not exceed September 30 of the same year);



- (2) The employee's rating of record under the PMRS is extended and the appropriate increase is granted, if that rating was given no earlier than the previous agency appraisal period; or
  - (3) The employee shall receive an increase equivalent to that granted for a Fully Successful rating of record.
- b. Except as provided in paragraph 3 c and d below, when an employee who cannot be rated returns to a pay status after an approved absence which would be creditable service under 5 CFR 531.406 which included one or more general pay increases and merit increases, the employee's rate of basic pay shall be set at the sum of:
- (1) The employee's rate of basic pay immediately before the interruption of his or her employment with the agency; and, if appropriate,
  - (2) The general pay increase for a Fully Successful rating of record that would have been required, if the employee's service had not been interrupted; and
  - (3) The merit increases received by an employee rated at the Fully Successful level.
- c. PMRS pay shall be granted as follows when an employee cannot be rated because of (1) service in the armed forces or non-Government service referenced in 5 U.S.C. 5405(d); (2) return to a pay status after an IPA assignment under 5 U.S.C. 3371-3376; (3) other service for which an employee's advancement through the pay range is preserved by statute; or (4) one or more merit increases that occurred during a period for which the employee has received credit under the back pay provisions of 5 U.S.C. 5596 and 5 CFR Part 550, Subpart H. The employee's pay shall be set at the sum of:
- (1) The employee's rate of basic pay immediately before the interruption of his or her duty status, and, as appropriate;
  - (2) The general pay increases that would be required for a Fully Successful rating if the employee's service had not been interrupted; and
  - (3) Merit increases, which will be granted as follows:
    - (a) For the first merit increase,
      - (i) The employee's PMRS rating of record is extended and the appropriate merit increase is granted, if that rating was given no earlier than the previous Departmental rating period; or

(ii) If there is no rating of record that can be extended, the employee shall receive an increase equivalent to that granted for a Fully Successful rating.

(b) For all subsequent merit increases, the employee will receive a merit increase equivalent to that received for a Fully Successful rating for the rating period involved.

d. When an employee's rate of basic pay is being set because of (1) leave without pay (LWOP) for a period of time such that the employee is not in a pay status for at least the minimum 90-day appraisal period; and (2) the employee returns to a pay status between either (a) a period which is less than the Department's 90-day minimum appraisal period or (b) after the end of the Department's appraisal period and the effective date of the merit increase. Under these circumstances, the employee's pay shall be set at the sum of:

(1) The employee's rate of basic pay immediately before the effective date of the LWOP and, as appropriate,

(2) The general pay increases that would be required by 5 U.S.C. 5403 for a Fully Successful rating of record, if the employee had not been on LWOP.

(3) Under these circumstances, no merit increase shall be granted for the current appraisal period for which merit increases are being granted. Nor will the employee be granted a performance award.

4. Consideration of Transferred Summary Ratings. When a PMRS employee is assigned from another agency or organization after June 30 and before July 31, the summary rating which is transferred with the employee shall be considered the rating of record for the purpose of granting merit increases and general increases.

5. Movement Into the PMRS. An employee moving into the PMRS on or before the effective date of the merit increase who has received an increase to base pay (i.e., promotion, within-grade increase, quality step increase) within 90 calendar days of the effective date shall not receive a merit increase for that fiscal year. An increase occurring on the effective date of the merit increase is considered to be within this 90-day period. Promotion within the PMRS is not subject to this restriction. Actions covered by this rule include:

- (1) Conversion to the PMRS;
  - (2) Reassignment to the PMRS from another Federal pay system;
  - (3) Promotion to the PMRS; and
  - (4) Temporary promotion to the PMRS.
6. **Computation of Merit Increases.** Merit increases shall consist of a full step (one-ninth of the difference between the maximum and minimum rates of the grade) or the appropriate fraction thereof. When merit increases reflecting a fraction of a step increase are calculated, they shall be rounded to the next higher dollar.
7. **Effective Date.** Merit increases shall be received not later than December 31 and made effective on the first day of the first pay period in October of each year. Any merit increases granted after the first day of the first pay period beginning on or after the beginning of the fiscal year shall be retro-active to that date unless otherwise required by the Office of Personnel Management.
8. **Documentation:** Merit increases shall be documented with a Notice of Personnel Action, SF-50.
9. **Employee Grievances.** Merit increases are final and are not subject to appeal or grievance.

#### **SECTION 4 - PERFORMANCE AWARDS.**

1. **Criteria.** Performance awards under the PMRS shall be granted as one-time cash payments outside basic pay when:
- a. The employee receives an Outstanding rating for the current appraisal period, or
  - b. The employee receives an Exceptional rating for the current appraisal period.
2. **Performance Award Budget.** In determining each Operating Administration performance award budget, consideration will be given to: the number of PMRS employees during the previous year; the aggregate rates of basic pay for these employees; the changes expected in the number of PMRS employees; and the general pay increases and merit increases to be paid to PMRS employees.
- a. In consideration of these factors, each Operating Administration shall allocate 1.4 percent of the rate of basic pay for their PMRS employees on the last day of the performance appraisal period as the Operating Administration performance award budget and also shall

meet any limitations established by the Office of Personnel Management and the Office of the Secretary for the funding of general pay increases, merit increases, and performance awards. Operating Administrations shall not transfer funds computed for their performance award budgets from one Operating Administration to another nor shall funds computed for one PMRS unit's performance award budget be transferred to another PMRS unit. This will ensure performance award funding is established within statutory limits (.75 - 1.5 percent) and still provide funds for any necessary subsequent corrective actions.

- b. Operating Administrations may seek exception from this funding requirement as a result of budgetary constraints. Requests for exceptions must be submitted to the Office of Personnel and Training, Office of the Secretary, not later than September 1. Exceptions will be authorized upon approval of the Assistant Secretary for Administration.
- c. Operating Administrations may further allocate funds to subordinate organizational groups, provided the PMRS units must contain a sufficient number of employees to ensure a reasonable performance award budget. If adopted, these PMRS units and their composition shall be documented. In addition, Operating Administrations shall insure for each organization for which a separate performance award budget is established that the aggregate of comparability adjustments, merit increases, and performance awards does not exceed any percentage limitation established by the Office of Personnel Management and/or the Department.
- d. Each Operating Administration shall report to the Office of Personnel and Training, Office of the Secretary, the performance award budget for each separate PMRS unit established. This information shall be forwarded to the Office of Personnel Management, as required.

3. **Performance Award Requirements.** An employee is eligible for a performance award if he/she is in a PMRS position on the last day of the appraisal period for which performance awards are being paid. Performance awards shall be based on the employee's rating of record received for the current Department of Transportation PMRS appraisal period.

- a. **Unusually Outstanding Performance Awards.** Performance awards for unusually outstanding performance shall exceed 10 percent but not 20 percent of the employee's annual rate of basic pay.

(1) Individuals considered for an unusually outstanding performance award shall have:

- (a) Made significant contributions to mission accomplishment;
- (b) Demonstrated leadership in program administration such that their performance is clearly noteworthy; and
- (c) Established a record of accomplishments.

(2) When such an award is appropriate, the granting administration shall provide a thorough award nomination supported by the Administrator to the Office of Personnel and Training, Office of the Secretary (OST). Within the Office of the Secretary, Assistant Secretaries shall provide the necessary approval prior to forwarding the award proposal to the Office of Personnel and Training, OST. Within the Office of the Inspector General, the Inspector General shall provide the necessary approval prior to forwarding the award proposed to the Office of Personnel and Training, OST. Award nominations must be approved by the Deputy Secretary, or his designee.

(3) Award proposals shall be forwarded with a rating of record not later than August 31, and will be reviewed not later than October 1 to facilitate processing as part of the Operating Administration's performance award budget.

b. **Outstanding Performance Awards.** Performance awards for Outstanding performance appraisal ratings shall not exceed 10 percent of the employee's annual rate of basic pay and, shall not be less than 2 percent of the employee's annual rate of basic pay.

c. **Exceptional Performance Awards.** Performance awards for Exceptional performance appraisal ratings shall not exceed 10 percent of the employee's annual rate of basic pay.

d. **Fully Successful Performance Appraisal Ratings.** Employees with Fully Successful ratings of record may be eligible for a performance award. Operating Administrations shall determine the criteria, award requirements and documentation for such awards and submit their proposals to the Office of the Secretary as outlined in Chapter 6, Section 6 of this directive.

f. **Unratable Employees.** Employees without a current rating of record for the performance appraisal period shall not be eligible for a performance award.

4. **Award Amount Determination.** The amount of a performance award for Outstanding, Exceptional, and, if applicable, Fully Successful performance shall be determined by the employee's rating of record. Performance awards for unusually outstanding employees will be determined by the procedures in paragraph 3 b.

- a. The reward ratio between each rating category (Outstanding, Exceptional, and Fully Successful) shall be no less than 2:1. This requirement must be applied to each of the values in a point or percentage matrix, or to the midpoint values of any range in a point or percentage matrix. Where actual dollar values are used, the reward ratio between dollar values must conform to this requirement.
- b. Within each organization for which a performance award annual budget is identified, performance awards granted to employees who receive Fully Successful performance appraisal ratings must be less than those received by employees in the same grade level receiving Exceptional performance appraisal ratings. Performance awards granted to employees who receive Exceptional performance appraisal ratings must be less than those received by employees in the same grade level receiving Outstanding performance appraisal ratings.
- c. Computation of Performance Awards. Performance awards will be computed and the proper personnel action documentation prepared by the Consolidated Personnel Management Information System (CPMIS) as follows for Operating Administrations' systems which can use the CPMIS.
  - (1) Based on the Operating Administration point matrix, performance award points will be assigned to eligible PMRS employees.
  - (2) The points assigned all PMRS employees paid from a single performance award budget will be totaled.
  - (3) The total number of points assigned will be divided into the performance award budget to obtain a dollar value for each point.
  - (4) Each PMRS employee's point score will be multiplied by the dollar value per point to obtain the performance award amount.
  - (5) Performance award amounts will then be reviewed to ensure the minimum and maximum award amount requirements and unusually outstanding award amount requirements are properly met. Where a change in the award amount is necessary to satisfy these requirements, other award amounts will be adjusted so that the performance award budget is not overspent.

Note: In the computation of performance awards no offset will be observed if an employee has been promoted in the preceding year (5 CFR 540.109).

5. An employee shall not be granted a performance award when:

(1) the employee was on leave without pay (LWOP) and was not in a pay status for at least the minimum 90-day appraisal period; and

(2) the employee returns to a pay status between

(a) a period which is less than the Department's 90-day minimum appraisal period; or

(b) after the end of the Department's appraisal period.

(3) the PMS employee is newly appointed to the Government within 90 days of the end of the Department's appraisal period.

6. Eligibility Date. Employees shall be eligible for performance awards on the last day of the appraisal period.

7. Documentation. Performance awards shall be documented with a Notice of Personnel Action, SF-50. In addition, unusually outstanding performance awards which exceed 10 percent of an employee's basic rate of pay shall have the performance appraisal and additional justification for the award placed in the employee's Official Personnel Folder or Employee Performance File.

8. Employee Grievances. Performance awards are final and are not subject to appeal or grievance.

#### **SECTION 5 - SUPERIOR ACCOMPLISHMENT AWARDS**

Superior Accomplishment Awards, which include suggestions, inventions, superior accomplishments and special acts or services, will be granted in accordance with the incentive award program provisions in DPM Letter 451-\_\_\_\_\_.

**CHAPTER 4**  
**COMPENSATION**  
**UNDER**  
**THE PERFORMANCE MANAGEMENT SYSTEM**

**SECTION 1 - GENERAL.**

1. **Coverage.** This chapter applies to all general schedule and prevailing rate employees as defined by 5 U.S.C. 2105. It does not include employees covered by PMRS or the Senior Executive Service (SES). Performance awards for PMRS employees are addressed in Chapter 3 of this plan. SES awards are covered in a separate directive.
2. **Performance Incentive Pay.** The PMS provides four types of incentive pay.
  - a. Two types of incentive pay are granted as increases to PMS basic pay.
    - (1) **Within-Grade Pay Increase.** A periodic increase in a General Schedule PMS employee's rate of basic pay, authorized by 5 U.S.C. 5335, from one step of the grade of his/her position to the next higher step of that grade.
    - (2) **Quality Step Increase.** An increase in a General Schedule employee's rate of basic pay authorized by 5 U.S.C. 5336 given to recognize outstanding performance by granting faster than normal step increases.
  - b. Two types of incentive pay are granted as one-time cash payments.
    - (1) **Performance Award.** An award authorized by 5 U.S.C. 4503 and 4302 to reward a PMS employee for performance reflected in his or her rating of record.
    - (2) **Superior Accomplishment Award.** An award authorized by 5 U.S.C. 4506 to reward PMS employees for superior or especially meritorious suggestions, inventions, or accomplishments.
3. **General Increases for General Schedule Employees and Adjustments to Prevailing Rate Pay.**
  - (1) **General Pay Increases for GS Employees.** The adjustment in the pay rates for GS employees is authorized by the President under 5 U.S.C. 5305 (or 5 U.S.C. 5303 for special salary rates) and higher minimum rates under 5 U.S.C. 5303.



- (2) Adjustments to wage schedules for Prevailing Rate employees is authorized under 5 U.S.C. 5343.

4. Performance Incentive Pay Official for PMS. In order to properly manage the PMS, each Operating Administration and each subordinate organization allocated a performance award budget shall identify a performance incentive pay official. The senior manager or executive for each organization assigned a performance award budget shall serve as the performance incentive pay official responsible for the following functions within his/her organization:
- a. Ensuring standards are reviewed in order to ensure equitable treatment of each employee.
  - b. Ensuring individual performance appraisal ratings within an organization reflect the organization's accomplishments as a whole.
  - c. Keeping rating officials informed of the budgetary implications of their actions.
  - d. Reviewing and approving performance pay decisions for the PMS employee population within the funding unit.
  - e. Reviewing and approving the outcome of the performance appraisal rating process.

## **SECTION 2 - GENERAL PAY INCREASE.**

### **Amount of General Pay Increase.**

1. PMS employees shall receive general pay increases as follows:
- a. Covered employees, excepting those receiving retained pay, shall receive the full amount of the general pay increase notwithstanding their rating of record. In no instance may covered employees be paid less than the minimum of the rate range for the employee's position.
  - b. GS employees receiving retained pay shall receive one-half of the general increase regardless of his/her rating of record.
  - c. Prevailing Rate employees receiving retained pay shall also receive one-half of the amount of each increase in the maximum rate of basic pay payable for the grade of the employee's position.

### **2. Computation of General Pay and Special Salary Rate Increases for PMS Employees.**

- a. General Pay Increase. General pay increases for PMS employees shall be determined as follows:

- (1) An employee receiving retained pay (5 U.S.C. 5363 (a)) will receive one-half of the general pay increase regardless of his or her rating of record.
- (2) The setting of general pay and special salary rate increases for employees covered by the PMS shall conform to the General Schedule paysetting policies.

**Documentation.** General pay increases shall be documented with a Notice of Personnel Action, SF-50.

### **SECTION 3 - PMS WITHIN-GRADE INCREASE (GENERAL SCHEDULE).**

1. **Basis for Within-Grade Increases.** Each within-grade pay increase must be based on a current rating of record. Individuals without a current rating of record shall be treated in accordance with paragraph 4 of this section.

2. **Within Grade Increase (WIG)**

- a. **Eligibility.** An employee paid at less than Step 10 of the grade of his or her position shall earn advancement in pay to the next higher step of that grade upon meeting the following three requirements established by law.

- (1) The employee's performance of the duties and responsibilities of his or her assigned position must be at an acceptable level of competence. To be determined at an acceptable level of competence, the employee's most recent rating of record must be at least level 3 (Fully Successful).
  - (a) When the decision to grant or deny a within grade increase is not supported by the employee's most recent rating of record, a more current rating of record must be prepared.
  - (b) The rating of record used as the basis for an acceptable level of competence determination for a WIG must have been assigned no earlier than the most recently completed appraisal period.
- (2) The employee must have completed the required waiting period for advancement to the next higher step of the grade of his or her position.
- (3) The employee must not have received an equivalent increase during the waiting period.

3. **Communications.** Covered employees shall be informed of the specific performance requirements that constitute an acceptable level of competence (Fully Successful performance) as stipulated in Chapter 2 of this plan.

4. **Acceptable Level of Competence Determination Delay.**

- a. An acceptable level of competence determination must be delayed when either of the following applies.
  - (1) An employee has not had the minimum period of time established (90 days) to demonstrate acceptable performance because he or she has not been informed of the specific requirements for performance at an acceptable level of competence in his or her current position, and has not been given a rating of record in any position within 90 days before the end of the rating period, or
  - (2) An employee is reduced in grade because of unacceptable performance to a position in which he or she is eligible for a WIG or will become eligible within the minimum period of time (30 days) to demonstrate acceptable performance.
- b. Procedures concerning an acceptable level of competence delay are found in FPM Chapter 531.

5. **Reconsideration of Negative Determination**

- a. When an employee's performance is determined not to be at an acceptable level of competence, the negative determination shall be communicated to the employee in writing and shall include:
  - (1) the reasons for the negative determination and the specific performance improvements required in order to be granted a WIG; and
  - (2) information to the employee of his or her right to request reconsideration of the negative determination by the appropriate official.
- b. Specific procedures for reconsideration of a negative determination are located in FPM Chapter 531, Subchapter 4.

6. **Continuing Evaluation After Withholding a WIG.** When a WIG has been withheld, the rating official, at any time thereafter, may prepare a new rating of record for the employee and grant the WIG when the determination has been made that the employee has demonstrated sustained performance at an acceptable level of competence. The rating official must make an acceptable level of competence determination after no more than 52 calendar weeks following the original eligibility date for the WIG, and for as long as the WIG continues to be denied, determinations will be made after no longer than each 52 calendar weeks.

7. **Documentation:** Within-grade increases shall be documented with a Notice of Personnel Action, SF-50.

#### **SECTION 4 - PMS PERFORMANCE AWARDS.**

1. **Criteria.** Performance awards under PMS shall be granted as one-time cash payments outside basic pay. The employee must receive a performance rating of Fully Successful or higher to be considered for a performance award. Operating Administrations must state in their operating instructions the performance rating level or levels employees must achieve to be considered for a performance award.
2. **PMS Performance Award Budget.** A separate awards budget within existing appropriated funds shall be determined for PMS employees by each Operating Administration at the beginning of each fiscal year. In determining that budget each Operating Administration shall consider the number of PMS employees covered during the previous fiscal year; the aggregate rates of basic pay for those employees; the changes expected in the number of covered employees in the current fiscal year (resulting from attrition, reorganization, expansion or RIF); the distribution of performance ratings; and, the amount of general increases, within-grade increases, and quality step increases that will be paid in the current fiscal year. Operating Administrations shall also meet any limitations established by the Office of Personnel Management and the Office of the Secretary for the funding of general pay increases, within-grade increases, and performance awards. Funds for Superior Accomplishment (incentive) awards shall not be included in this process because they are funded separately.
  - a. Operating Administration shall establish a performance award budget for the fiscal year by considering the above factors. Performance awards budgets should be no more than 1.5 percent of the estimated amount of covered PMS employees' basic pay for the fiscal year. In computing the performance award budget, Operating Administrations may take into account the amounts paid as Quality Step Increases. Within Operating Administrations, performance awards funds computed for one organization shall not be transferred to another.
  - b. Operating Administrations may further allocate funds to subordinate organizational groups, provided that each of those groups contains a sufficient number of employees to ensure a reasonable performance awards budget. If adopted, such groups including their composition, shall be documented. In addition, Operating Administrations shall ensure for each organization for which a separate

performance award budget is established that the aggregate of comparability adjustments, within-grade increases, quality step increases, and performance awards does not exceed any percentage limitation established by the Office of Personnel Management and/or the Department.

- c. Each Operating Administration shall report to the Office of Personnel, Office of the Secretary, the performance award budget for the Administration and, if established, for each separate award unit, within the Operating Administration. This information shall be forwarded to the Office of Personnel Management as required.

3. **PMS Performance Award Requirements.** An employee is eligible for a performance award if he/she is in a PMS position on the last day of the appraisal period for which PMS performance awards are being paid.

- a. **Award Determination.** Performance awards shall be based on the employee's rating of record received for the current Department of Transportation PMS appraisal period.

- b. **PMS Unusually Outstanding Performance Awards.** Performance awards for unusually outstanding performance shall exceed 10 percent but not 20 percent of the employee's annual rate of basic pay.

- (1) Individuals considered for an unusually outstanding performance award shall have:

- (a) Made significant contributions to mission accomplishment;
- (b) Demonstrated leadership in program administration such that their performance is clearly noteworthy; and

- (c) Established a record of accomplishments.

- (2) When such an award is appropriate, the granting administration shall provide a thorough award nomination supported by the Administrator to the Office of Personnel, Office of the Secretary (OST). Within the Office of the Secretary, Assistant Secretaries shall provide the necessary approval prior to forwarding the award proposal to the Office of Personnel, OST. Within the Office of the Inspector General, the Inspector General shall provide the necessary approval prior to forwarding the award proposal to the Office of Personnel, OST. Award nominations must be approved by the Deputy Secretary, or his designee.

- (3) PMS award proposals shall be forwarded not later than 60 days after the end of the PMS rating period, except as stated in d. below.
- c. **Performance Awards.** Only PMS employees with Outstanding, Exceptional or Fully Successful performance appraisal rating can be considered for a performance award. Performance awards shall not exceed 10 percent of the employees annual rate of basic pay. Operating Administrations shall determine in their operating instructions the rating level or levels, criteria, award requirements and documentation for such awards.
- d. **Unratable Employees.** PMS employees for whom a rating of record cannot be prepared must have their current rating period extended for the minimum performance appraisal period. Following completion of that extension period, the rating of record is prepared and used as a basis for granting a performance award.
4. **PMS Award Amount Determination.** The amount of a performance award for Outstanding, Exceptional and Fully Successful performance shall be determined by the employee's rating of record. Performance awards for unusually outstanding employees will be determined by the procedures in paragraph 3b.
- a. Within each organization for which a performance award budget is identified, performance awards given to employees who receive Fully Successful performance appraisal ratings must be less than those received by employees in the same grade level receiving Exceptional performance appraisal ratings. Performance awards granted to employees who receive Exceptional performance appraisal ratings must be less than those received by employees in the same grade level receiving Outstanding performance appraisal ratings.
- b. Award amounts and the difference in award amounts between performance levels within the same grade levels should be significant so as to clearly demonstrate the distinctions between levels of accomplishments and to adequately recognize the individual level of achievements.
5. **Computation of Performance Awards.** Performance awards will be computed and the proper personnel action documentation prepared by the Consolidated Personnel Management Information System (CPMIS).

6. **Special Situations.** An employee shall not be granted a performance award when:
  - (1) the employee was on leave without pay (LWOP) and was not in a pay status for at least the minimum 90-day appraisal period; and
  - (2) the PMS employee is newly appointed to the Government within 90 days of the end of the Operating Administration's appraisal period.
7. **Eligibility Date.** Employees shall be eligible for performance awards on the last day of the appraisal period.
8. **Documentation.** Performance awards shall be documented with a Notice of Personnel Action, SF-50. In addition, unusually outstanding performance awards which exceed 10 percent of an employee's basic rate of pay shall have the performance appraisal and additional justification for the award placed in the employee's Official Personnel Folder or Employee Performance File.
9. **Employee Grievances.** Performance awards are final and are not subject to appeal or grievance.
10. **Promotion Action.** Due weight will be given to performance awards when rating and ranking an employee for promotion.
11. **Exceptions.** Exceptions to the requirements of this section may be granted upon the request of the Operating Administration provided that such request(s) are not in opposition to OPM regulations. Such request may be for budget or other compelling reasons. Such request must be submitted for the approval of the Assistant Secretary for Administration through the Director of Personnel, OST, at least 120 days prior to the proposed implementation date.

#### **SECTION 5 - QUALITY STEP INCREASE (QSI)**

1. **Purpose:** The purpose of quality step increases is to recognize outstanding performance by granting faster than normal step increases.
2. **Eligibility.** Only General Schedule employees are eligible to receive QSI's.
3. **Level of Performance.** A QSI shall not be required but may be granted only to an employee who receives a rating of record at level 5 (Outstanding).

4. Recommendation. The recommendation to grant a quality step increase must be supported by the employee's most recent appraisal which adequately justifies the recommendation. The recommendation should be submitted within 60 days after the rating of record is approved.
5. Effective Date. The QSI should be made effective as soon as possible after it is approved.
6. Restriction. A QSI may not be granted to an employee who has received a QSI within the preceding 52 consecutive calendar weeks.
7. Notification. Operating Administrations must inform their employees at least annually of the number of QSI's granted by grade level.
8. Authority. Operating Administrations may delegate the authority to grant QSI's to the lowest practicable level of management.
9. Implementation. Operating Administrations shall develop criteria for granting QSI's. Consideration may be given to recency of promotions, within-grade increases, other monetary awards received and any other appropriate data when developing management criteria.
10. Documentation. QSI's shall be documented with a Notice of Personnel Action, SF-50.

#### **SECTION 6 - SUPERIOR ACCOMPLISHMENT AWARDS**

Superior Accomplishment Awards, which include suggestions, inventions, superior accomplishments and special acts or services, will be granted in accordance with the incentive award program provisions in DPM Chapter 451 and DPM Letter 451\_\_\_\_.



## **CHAPTER 5**

### **PAY ADMINISTRATION**

#### **UNDER THE**

#### **PERFORMANCE MANAGEMENT AND RECOGNITION SYSTEM**

#### **AND**

#### **PERFORMANCE MANAGEMENT SYSTEM**

### **SECTION 1 - BASIC PAY.**

**Range of Basic Pay.** The range of annual rates of basic pay for each PMRS grade shall be the same as the range of annual rates of basic pay for the corresponding grade of the General Schedule, including any rates beyond the maximum range authorized under 5 U.S.C. 5303 for any position covered by this authorization. However,

- a. A PMRS employee may be paid at a rate less than the minimum rate for the employee's grade, or special rate range, if this resulted from the employee receiving a performance evaluation of less than Fully Successful.
- b. A PMRS/PMS employee may have his or her rate of basic pay increased in excess of the maximum rate for the range of basic pay applicable to the employee's position in connection with pay retention (5 U.S.C. 5363).

### **SECTION 2 - MERIT INCREASES AND WITHIN-GRADE PAY INCREASES.**

1. PMRS merit increases and PMS within-grade pay increases shall be considered a part of basic pay. Therefore, increases shall be set at any whole dollar amount consistent with this order and the following conditions.
  - a. No merit or within-grade pay increase may result in an employee's rate of basic pay being set above the maximum rate or below the minimum rate for the employee's grade. However, a PMRS employee may receive a rate of basic pay below the minimum rate as a result of receiving less than the full general pay increase.
  - b. While a PMRS/PMS employee may have his or her rate of basic pay set at the maximum for the employee's grade, no employee may be paid in excess of the rate of basic pay for Executive Schedule Level V.

- c. An employee moving into the PMRS on or before the effective date of the merit increase who has received an increase to base pay (i.e., promotion, within-grade increase, quality step increase) within 90 calendar days of the effective date shall not receive a merit increase for that fiscal year. An increase occurring on the effective date of the merit increase is considered to be within this 90-day period. Promotion within the PMRS is not subject to this restriction. Actions covered by this rule include:
  - (1) Conversion to the PMRS;
  - (2) Reassignment to the PMRS from another Federal pay system;
  - (3) Promotion to the PMRS; and
  - (4) Temporary promotion to the PMRS;
- d. A PMRS employee shall not be eligible for a merit increase or performance award if newly appointed to the Government within 90 days of the effective date of the merit increase.
  - (1) Reinstatement is considered a new appointment.
  - (2) Reemployment under a reemployment priority list (5 CFR 351, Subpart J) is not a new appointment.
  - (3) A new appointment without a break in service of one or more work days is not considered to be a new appointment under this subparagraph.

### **SECTION 3 - ACQUISITION AND LOSS OF PMRS STATUS**

- 1. Pay Adjustment on Acquiring PMRS Status. When an employee acquires PMRS status, the employee shall receive his or her existing rate of basic pay plus any of the following adjustments that may be applicable, in the order specified:
  - a. The amount of any general pay increase made on that date, or in the case of an employee subject to special pay rates, the amount of any special salary rate adjustment made on that date under section 5303 of title 5, U.S.C.;
  - b. The amount of any within-grade or quality step increase to which the employee otherwise would be entitled on that date; and
  - c. The amount resulting from a promotion effective on that date.

2. **Pay Adjustment on Loss of PMRS Status.** When an employee loses PMRS status, the employee shall receive his or her existing rate of basic pay, plus any of the following adjustments that may be applicable, in the order specified:

- a. The amount of any general pay increase to which the employee otherwise would be entitled on that date, or in the case of an employee subject to special pay rates, the amount of any special salary rate adjustment made on that date under section 5303 of title 5, U.S.C.
- b. The amount of any PMRS merit increase to which the employee otherwise would be entitled on that date;
- c. The amount resulting from a promotion effective on that date;
- d. In the case of a employee whose resulting rate of basic pay falls between two steps of a General Schedule grade (or, in the case of an employee whose position is subject to special pay rates, between the two steps of the applicable special rate range), the amount of any increase that may be necessary to pay the employee the rate for the next higher step of that grade (or special rate range); and
- e. In the case of an employee whose resulting rate of basic pay falls below the minimum rate of a General Schedule grade (or, in the case of an employee whose position is subject to special pay rates, below the minimum rate of applicable special rate range), the amount of any increase that may be necessary to pay the employee the minimum rate for that grade (or special rate range).

**Note:** Special Exceptions. This section does not apply to an employee who loses PMRS status as the result of--

- (1) An action taken for disciplinary or performance related reasons, or
- (2) The expiration or termination of a temporary promotion.

3. **Equivalent Increase Determinations.** A PMRS merit increase, like a PMS within-grade pay increase, is considered to be an equivalent increase for pay determination purposes. Therefore, an employee who receives a full, one-half, one-third, or zero merit increase is considered to have received the equivalent of a full step increase and would start a new waiting period on the effective date of the increase.

4. **New Appointments.** Employees appointed to a PMRS covered position on the general pay increase date whose pay is set in accordance with the new pay range for their grade are not considered to be covered by the PMRS on that date for the purposes of granting a general pay increase, merit increase, or performance award on that date.

#### **SECTION 4 - PROMOTIONS AND DEMOTIONS.**

##### **1. Promotions.**

- a. On promotion from the General Schedule into the PMRS, the employee shall receive the rate of basic pay in the grade to which promoted which equals the rate he or she would have received if the promotion had been to a General Schedule position.

**Note:** Promotion actions for individuals on pay retention shall be governed by FPM Chapter 536.

- b. On promotion within the PMRS, the employee shall receive the greater of:

- (1) A 6 percent increase in pay; or
- (2) The amount necessary to raise the employee's rate of pay to the minimum rate of the grade to which promoted.

- c. On promotion out of the PMRS:

- (1) The employee shall receive a 6 percent increase in pay; and
- (2) Then the pay shall be fixed at the step of the higher grade which has a rate of pay equal to that computed in (1) above except that if the increase results in a rate which falls between two steps of the higher grade the employee shall be paid the rate of the higher step; or
- (3) The amount necessary to raise the employee's rate of pay to the minimum rate of the grade to which promoted.

- d. Promotion within the PMS will be administered in accordance with FPM Chapter 335.

2. **Demotions.** Unless otherwise amended, paysetting for demotion out of, into, and within the PMRS will be administered in the same manner as is established for General Schedule positions.

## **SECTION 5 - ORDER FOR PROCESSING SIMULTANEOUS PAY ACTIONS.**

1. **Within the PMRS.** Actions which involve changes to a PMRS employee's pay (e.g. promotion) which are effective on the same date as the general pay increase and merit increase shall be received in the following order:
  - a. General pay increase, if applicable;
  - b. Merit increase, if applicable; and
  - c. Promotion, if applicable.
2. **From the General Schedule Into the PMRS.** Actions which involve changes to pay (e.g., promotion) effective on the same date as the General Schedule or special salary rate pay increase and merit increases for employees moving from the General Schedule into the PMRS shall be processed in the following order:
  - a. General Schedule pay increase, if applicable;
  - b. General Schedule pay entitlements (i.e., within grade increases, quality step increases), if applicable, in the order resulting in the maximum benefit to the employee; and
  - c. Promotion to the PMRS position, if applicable.
3. **From the PMRS Into the General Schedule.** Actions which involve changes to pay (e.g., promotion) effective on the same date as the general pay increase and merit increase for employees moving from the PMRS into the General Schedule shall be received in the following order:
  - a. General pay increase, if applicable;
  - b. Merit increase, if applicable; and
  - c. Promotion, if applicable.

## **SECTION 6 - TERMINATION OF SPECIAL SALARY RATES.**

If the employee is receiving a rate of basic pay established under 5 CFR 540, the employee shall retain his/her existing rate. This rate may be lower than the minimum rate of the regular schedule as provided under 5 CFR 540.106 (c)(3).

## **SECTION 7 - PREMIUM PAY, ALLOWANCES, AND DIFFERENTIALS**

Unless otherwise amended, premium pay; pay for exposure to hazards, physical hardships or work conditions of an unusual nature; equalization allowances; dual pay; and other paysetting actions shall conform to the General Schedule pay policy.

**CHAPTER 6**  
**GENERAL PROGRAM ADMINISTRATION**  
**UNDER THE**  
**PERFORMANCE MANAGEMENT AND RECOGNITION SYSTEM (PMRS)**  
**AND**  
**PERFORMANCE MANAGEMENT SYSTEM (PMS)**

**SECTION 1 - BACKGROUND.**

This chapter sets forth the general PMRS and PMS program responsibilities concerning training, communication of the plan to employees, maintenance of records, reports, evaluations and approvals.

**SECTION 2 - COMMUNICATION TO EMPLOYEES.**

Each Operating Administration shall communicate the purpose and operation of the PMRS and PMS to its employees.

**SECTION 3 - TRAINING**

Each Operating Administration is charged with the responsibility to train employees covered by the PMRS and PMS, as well as, employees responsible for its operation in the specific details of the system. Individuals requiring training include employees and their supervisors as well as rating and reviewing officials (e.g., SES, military officers, etc.). Implementing directives shall specify the nature and timing of training for employees in the initial implementation period as well as for employees who enter the PMRS and PMS once it is ongoing. Training will cover performance appraisal, performance awards, superior accomplishment awards, and within grade and quality step increase and merit increase programs.

**SECTION 4 - EVALUATION.**

1. Each Operating Administration and the Department have responsibility to evaluate the operation of PMRS and PMS. These responsibilities are divided as follows:
  - a. **Operating Administration Evaluation.** Each Operating Administration is required to establish such means and methods as are necessary to evaluate the effectiveness of the PMRS and PMS within its organization. Implementing directives shall describe the general methods and procedures to be used to conduct the periodic self-evaluations. Such methods and procedures shall include

reviews for conformance with the requirements of the PMRS and PMS, the performance appraisal system, the performance and superior accomplishment award programs, and the within-grade increase and quality step increase and merit increase programs.

- b. **Office of the Secretary Program Evaluation.** The Director, Office of Personnel and Training, Office of the Secretary, will be responsible for and direct the conduct of periodic evaluation of the operation and effectiveness of PMRS and PMS within the Department.
- c. **Reports.** Each Operating Administration should be able to provide the following reports for use in internal evaluations as well as for submission upon request to the Office of Personnel and Training, Office of the Secretary, for Department-wide evaluations. Other reports will be obtained from the Personnel Management Information System data base.

- (1) Management initiated changes from GS to GM and GM to GS.
- (2) Grievances or other challenges regarding coverage determinations and the actions taken.
- (3) Performance Awards.

2. **Performance Management Overview.** As part of the Department's overall performance management effort, the Department shall establish a PMRS Performance Standards Review Board.

- a. The PMRS Performance Standards Review Board shall be comprised of six members of which half will be employees covered by PMRS. The Assistant Secretary for Administration is designated as Chair and permanent member. The Director of Civil Rights and the Director of Personnel and Training, OST, are also permanent members, with the Director of Personnel and Training, OST, serving as Secretary to the Board. The remaining members will be designated by the Chair from the Operating Administrations to serve a 2-year term. Nonpermanent membership participation on the Board will be rotated among the Operating Administrations. The Board will:
  - (1) Assess, by the use of representative sampling techniques based on criteria developed by the Board, the appropriateness of performance standards by reviewing performance plans developed and used by the Department. The Board advises the Secretary or his or her designees on ways to improve performance plans but still has no authority to approve or modify performance plans;

- (2) Review the ratings and make recommendations to the Secretary or his or her designee on improving the equitable application of standards, but shall not recommend any distribution of ratings. Such reviews shall be conducted after ratings of record have been prepared and communicated;
  - (3) Study the feasibility of an awards program based on the collective performance of organizations or groups of employees;
  - (4) Provide technical assistance with respect to any demonstration projects on performance appraisal; and
  - (5) Prepare an annual report to the Secretary concerning its activities.
- b. The staff of the Departmental Office of Personnel and Training shall provide administrative support to these groups in carrying out their responsibilities. Each Operating Administration shall provide such information as requested by the board.

## **SECTION 5. RECORDS MAINTENANCE**

1. **Retention Schedule.** Except as provided in 2. below, performance ratings or documents supporting them are generally not permanent records and shall be retained as follows:
  - a. Performance ratings of record, including the performance plans on which they were based and supporting documentation, shall be retained for 3 years;
  - b. Performance records superseded (e.g., through an administrative or judicial procedure) are to be destroyed and not retained for 3 years;
  - c. Performance related records pertaining to a former employee are not to be retained but forwarded to the National Personnel Records Center as provided in 2. below;
  - d. Except where prohibited by law, retention of automated records longer than the maximum 3-year period is permitted for purposes of statistical analysis so long as the data are not used in any action affecting the employee when the manual record has been or should have been destroyed;
  - e. When an employee is reassigned within the Department of Transportation, disposition of records, including transfer with the employee who changes positions shall be in accordance with 2. below.



2. Disposition of Records. When the OPF of an employee covered by this plan is sent to another Operating Administration in the Department of Transportation, to another agency, or to the National Personnel Records Center, the "losing" servicing office shall include in the OPF all performance ratings of record that are 3 years old or less, including the performance plan on which the most recent rating was based, and the summary rating prepared when the employee changes positions as prescribed in Chapter 2, Section 4, paragraphs 4 and 5. Also, the "losing" office will purge from the OPF all performance ratings and performance plans that are more than 3 years old, and other performance records in accordance with the appropriate DPM and FPM Supplement 293-31.

## **SECTION 6 - APPROVALS.**

1. Implementing instructions for this directive and any subsequent changes to those instructions (except for editorial revisions) must be submitted to the Director, Office of Personnel, Office of the Secretary, for review and approval, not less than 6 months before the proposed implementation date, unless otherwise arranged with that Office.
  - a. Within 30 days, the Office of the Secretary will review and respond to the request for approval. Approved requests will be forwarded to the Office of Personnel Management by the Office of the Secretary.
  - b. Within 90 days of receipt, the Office of Personnel Management will advise the Office of the Secretary whether the implementing instructions are approved. This information will be passed along to the appropriate Operating Administration immediately. The remaining 90 days (or more) will be used for modifications as required by the Office of Personnel Management and for preparations for implementation.

**DEFINITIONS**

**Acceptable Level of Competence.** Fully Successful performance by an employee of the duties and responsibilities of his or her assigned position which warrants advancement of the employee's rate of basic pay to the next higher step of the grade of his or her position, subject to the necessary eligibility requirements.

**Appraisal.** The act or process of reviewing and evaluating an employee's performance of duties and responsibilities against prescribed performance standards.

**Appraisal Period.** That portion of the year during which employee performance and accomplishments are evaluated to determine the employee's rating of record.

**Appraisal System.** A performance appraisal system established by an agency or component of an agency under Subchapter I of Chapter 43 of Title 5 U.S.C. and this subpart which provides for identification of critical and noncritical elements, establishment of performance standards, communication of elements and standards to employees, establishment of methods and procedures to appraise performance against established standards, and appropriate use of appraisal information in making personnel decisions.

**Cash Award.** An award authorized by 5 U.S.C. 5407 to reward PMRS employees for superior or especially meritorious suggestions, inventions, accomplishments or special acts or services in the public interest in connection with or related to the employee's Federal employment. Cash awards are a one-time cash payment.

**Coverage Determination.** The decision to include or exclude a position under the PMRS based on the definitions for supervisor and management official contained in 5 U.S.C. 7103.

**Critical Element or Critical Job Element (CJE).** A component of an employee's position consisting of one or more duties and responsibilities which contributes toward accomplishing organizational goals and objectives and is of sufficient importance that performance below the minimum standard established by management requires remedial action and may be the basis for removing or reducing the grade level of that employee. Such action may be taken without regard to performance on other components of the job. These components are assigned weights of 10 to 100 percent.

**General Pay Increase.** The increase in the pay rates of the General Schedule authorized by the President in accordance with 5 U.S.C. 5305 or in the special pay rates of eligible employees in accordance with 5 U.S.C. 5303 and based on performance.

**GM.** The pay plan identifier for employees covered by the PMRS.

**Level of Performance.** The summary rating received on the performance appraisal (e.g., Fully Successful, Exceptional).

**Merit Increase.** The increase in basic pay for a PMRS employee granted under 5 U.S.C. 5404 which is equivalent to one-ninth of the difference between the maximum rate of the grade or special rate range and the minimum rate of the grade or special rate range.

**Non-Critical Job Element.** A component of an employee's position that is significant, but does not meet the Critical Job Element definition. Sub-standard performance on noncritical elements may impact the employee's overall rating. These components are assigned weights of 1 percent to 5 percent.

**Operating Administrations.** Operating Administrations include, for the purpose of this directive, the Office of the Secretary and the Office of the Inspector General.

**Performance.** An employee's accomplishment of assigned duties and responsibilities as specified in the critical and noncritical elements of the employee's position.

**Performance Award.** An award authorized by 5 U.S.C. 5406 (for employees covered under PMRS) and 5 U.S.C. 4302 (for employees covered under PMS) to reward employees for performance reflected in their rating of record. Performance awards are a one-time cash payment.

**Performance Award Budget.** The amount of money allocated by an organization for distribution as performance awards to covered employees.

**Performance Incentive Pay Official.** The official responsible for a performance award fund and managing all ratings within his or her organization. The performance incentive pay official also reviews and approves the outcome of the performance appraisal rating process.

**Performance Management Plan.** The description of the agency's methods which integrate performance, pay, and awards systems with its basic management functions for the purpose of improving individual and organizational effectiveness in the accomplishment of the agency's mission and goals.

**Performance Pay Decision.** The determination of the total amount of the general pay increase, merit increase, and performance award to be granted an employee made by the officials also responsible for making the performance appraisal decisions, in accordance with OPM instructions.

**Performance Plan.** The aggregation of all of an employee's written critical and noncritical elements and performance standards.

**Performance Standard.** A statement of the expectations or requirements established by management for critical and noncritical elements at a particular rating level. Performance standards may include, but are not limited to, elements such as quantity, quality, timeliness, and manner of performance.

**Consolidated Personnel Management Information System (CPMIS).** The automated record system which contains Departmental personnel data and which will be used to compute general pay increases, merit increases, within-grade pay increases, quality step increases and performance awards for Operating Administrations which use the system.

**PMRS/PMS Employee.** An individual occupying a position covered under the PMRS/PMS in accordance with the coverage definitions of this directive.

**PMRS Pay Plan.** PMRS positions are designated by the separate pay plan code "GM."

**Position Description.** The official record which describes the duties and responsibilities assigned a position and upon which the classification of the position is based.

**Progress Review.** A review of the employee's progress toward achieving the performance standards. The progress review is not in itself a rating.

**Quality Step Increase (OSI).** An increase in a PMS employee's rate of basic pay from one step of the grade of his/her position to the next higher step of the grade given to recognize outstanding performance.

**Rate of Basic Pay.** The rate of pay fixed by law or administrative action for the position held by an employee before any deductions and exclusive of additional pay of any kind.

**Rating Official.** The employee's immediate supervisor (first level supervisor).

**Rating of Record.** This is a summary rating level which is designated at a specified time in the performance management plan or because of the special circumstances under which it is prepared, e.g., at the end of the appraisal period, and is used as the basis for pay and personnel decisions, including the written notice at any time that the employee's performance is unacceptable on one or more critical elements.

**Reference Amount.** The sum of the minimum rate of the grade and one-third of the difference between the maximum and the minimum rate for that grade. In the General Schedule, the reference amount equals the dollar amount of the fourth step of a General Schedule grade, or, in the case of a special rate range established under 5 U.S.C. 5303, the fourth step of such special rate range.

**Reviewing Official.** The rating official's supervisor (second level supervisor).

**Summary Rating.** The written record of the review and evaluation of each critical and non-critical element in an employee's performance plan and the assignment of a summary rating level, i.e., Fully Successful, Exceptional, etc. For example, a rating prepared for those individuals who meet the minimum appraisal period in their current position and are now being assigned or transferred to another position.

**Superior Accomplishment Award.** A monetary or nonmonetary award for a contribution resulting in tangible benefits or savings and/or intangible benefits to the Government.

**Within-Grade Increase (WIG).** A periodic increase in a PMS employee's rate of basic pay from one step of the grade of his/her position to the next higher step of the grade given when the employee has met the requirements for such an increase.